



**Alabama Real Estate Appraisers
Board**

VOLUME 22 NO. 1

THE APPRAISER BULLETIN

SUMMER 2020

NEW BOARD MEMBER CONFIRMED

During the 2020 Regular Session of the Alabama Senate one member appointed by Governor Ivey was confirmed. Pictured below is the new Board member



Andrew (Drew) Dunn Watson - appointed as the AMC Member. Mr. Watson is a Certified General Real Property Appraiser. Formerly a CPA with a Big 6 firm, he began his appraisal career in 2002 and opened his own firm in 2005. Understanding the need for transparent fee disclosure relationship between the client, the appraiser and the AMC, Drew started Equity Valuation Partners (EVP), now one of the Southeast's largest Appraisal

Management Companies (AMCs), in 2009. Since that time, EVP has introduced numerous proprietary technological and methodological innovations, such as the country's first valuation product to include the homeowner in the valuation process. The company is headquartered in Fairhope.

Drew grew up in Dothan, moved to Montgomery before the start of high school, and earned his accountancy degree from the Patterson School of Accountancy at Ole Miss. He now resides in Point Clear with his wife (Stacy), two children (son Walker, 15, and daughter Sailor, 13), and two goldendoodles (Tukleberry and Frenchy).

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DISCIPLINARY REPORT

The Alabama Law requires the Board to regulate the conduct of appraisers in Alabama. The Board's Administrative Rules outline the procedure for handling complaints. The Uniform Standards of Professional Appraisal Practice provide the basic ethical standards for which appraisers must comply. Appraisers should carefully note the following violations, which resulted in disciplinary action of the Board.

AB 15-33 On March 16, 2017, the Board entered an order after a contested administrative hearing finding Certified General Real Property Appraiser **David H. Burns, G00090**, guilty of violations of the Alabama Appraisers Act and assessed an administrative fine of \$800. Burns appealed that decision to the Tuscaloosa County Circuit Court which affirmed the decision of the Board on November 28, 2018. The findings of violations are as follows: Mr. Burns, a Certified Real Property Appraiser, failed to analyze and consider the effect on value that the property being two parcels with different characteristics. Mr. Burns, a Certified Real Property Appraiser, failed to value the two parcels separately by reference to appropriate data and support by an appropriate analysis of such data. Mr. Burns, a Certified Real Property Appraiser, communicated a misleading appraisal report which derived the value of two separate parcels by assigning a value to the acreage consisting of the combination of the two parcels, obtaining a per-acre value based on the value of the whole, and then multiplying the per-acre value by the number of acres in each parcel instead of assigning a value to each parcel separately by reference to appropriate data and support by an appropriate analysis of such data. Mr. Burns, a Certified Real Property Appraiser, failed to provide an adequate explanation in his appraisal reports as to why he did not utilize the income approach to value in his analysis and communication of his reports.

AB 18-03 On January 17, 2019, the Board approved a Consent Settlement Order with Licensed Real Property Appraiser **Bonnie Lynn Burgess, L00358**. Ms. Burgess agreed to complete seven hours of continuing education and pay a \$1000 administrative fine. The violations in the report are as follows: The comparable sales used by Licensee had large differences in sales prices that would indicate completely different sets of market participants and the economic principal of substitution is overlooked in the sales analysis, a basic principle for the sales comparison approach to value. Licensee failed to provide support for the adjustments made to the comparable sales in the sales comparison approach as required by Fannie Mae which states that "All adjustments must be extracted from and supported by the actions of the Market." Licensee checked a box stating the highest and best use was the current use of the property and did not provide an analysis of the highest and best use of the subject property. The licensee stated "Site value from Chambers County Tax Records and appraiser's knowledge of land sales in the area." There are methods to develop and site value and neither of the stated sources are appropriate. Licensee reported 8% Physical Depreciation after having already reported an economic age for the subject of 8 years with a remaining economic life of 45 years. The licensee could not explain how the 8% depreciation was developed. Licensee's use of sales that would not be considered by the same market participants, making adjustments to the comparable sales that had no support from the market place, basing site value on tax values and not being able to explain where the estimate of physical depreciation came from make this appraisal report misleading. The report contained no support for adjustments made in the sales comparison approach to value and the report had no information or support for the estimate of physical depreciation used in the Cost Approach to value make users of the report unable to understand the report properly. The report contained comparable sales that would not

be considered by the same market participants and the report contained a sales comparison approach that utilized adjustments to the comparable sales that had no support from the market place. By the licensee basing the site value on tax values and by the licensee not being able to explain where the estimate of physical depreciation came from do not summarize the information analyzed or methods and techniques employed that support the opinions and conclusions in the report. The report had no summary of the support or rationale of the opinion of highest and best use, only a checked box that the current use was the highest and best use.

AB 16-15 On May 16, 2019, the Board approved a Voluntary Revocation Consent Order from Certified General Appraiser **Claud Clark, III, G00024**. Clark voluntarily surrendered his license in lieu of an administrative hearing.

AB 17-15 On July 18, 2019, the Board approved a Consent Settlement Order with a Certified General Appraiser where the appraiser agreed to a Private Reprimand and assessment of an administrative fine of Two Thousand Five Hundred (\$2,500) Dollars. The violations in the report are: The original work file submitted to the Board only had copies of multiple listings, ad valorem tax data sheets, and copies of the deed. There was nothing to support adjustments to comparable sales, land value or the estimate of effective age. Even though Licensee supplemented the work file was at a later date, it still lacked support for opinions and conclusions. The appraiser made unsupported adjustments to the comparable sales utilized in the report and gave no rational for the adjustments. Licensee committed substantial errors by reporting the wrong sales prices on 4 of the 6 comparable sales utilized in the appraisal. Licensee states in his comments on the USPAP Addendum Additional Comments page that he prepared a retrospective appraisal of a single-family residence reported as a restricted use appraisal report but he marked the box that states he prepared an Appraisal Report. The Fannie Mae 1004 Form (URAR) is designed for an appraisal report in a mortgage finance transaction, not a restricted use report. The purpose of the assignment was to assist a family trust in the valuation of the property which is not consistent with the preprinted language in the form that is specific for use with mortgage finance transactions. On page 1 of the URAR, the licensee checks that this appraisal is for a refinance transaction and on page 4 of 6 of the report under Intended Use the licensee has the statement "The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage transaction." The licensee listed the sales price of his comparable number 2 at \$399,000 when it actually sold for \$350,000 according to the MLS and the realtor. It was also noted the licensee reported comparable 3 as having sold for \$419,900 when it actually sold for \$460,000 according to the MLS and the realtor. The licensee reported comparable number 5 as having sold for \$510,000 when it actually sold for \$475,000 according to the MLS and the realtor. The licensee reported comparable 6 as having sold for \$699,000 when it actually sold for \$664,500 according to the MLS and the realtor. It was also noted that licensee failed to accurately report and properly analyze comparable number one's correct additional living area. Licensee reports the gross living area as 2,821 square feet when the MLS reports that there is 4,332 square feet and according to the realtor there is living area on the first floor containing a kitchen, living room, bedroom, bath and a laundry room. The second floor was accessed by outdoor stairs and contained a kitchen, 2 bedrooms, 2 baths, laundry and a large living area. Licensee reported the residence as having been built in 1930 but estimated the residence as having an effective age of 35 years. The licensee has no justification for this estimate of effective age of 35 years. The licensee has no justification for this estimate of effective age and states in his report that there have been no updates in the

prior 15 years and rates Condition of the subject as C5 which states “The improvements feature obvious deferred maintenance and are in need of some significant repairs.” The licensee states under condition in the report that “the interior and exterior are dated but have the old beach cottage appeal”. The licensee did not do a highest and best use analyses but only checked the box that stated the subjects current use was the highest and best use. Licensee did state in the report “it would be possible to subdivide the land similar to the adjacent properties with speculation and costs involved”, but the licensee did not summarize the support and rationale for that opinion in the report or in his work file. Licensee failed to verify the comparable sales utilized in the report with a party to the transaction and as a result he used incorrect sales prices for 4 of the comparable sales. The licensee states the site value was from comparable sales extractions and from allocations of tax values. There was no support for the value from the allocation method in the report or the licensee’s work file. Licensee stated the report was prepared as a Restricted Appraisal Report and failed to state the use restriction.

Letters of Warning were issued on the following investigations for the discrepancies indicated. This disciplinary action will be considered in any future discipline proceedings:

AB-18-20 On July 30, 2019 to a Certified General Appraiser where there is no evidence that adjustments made to the comparable sales are market derived adjustments and there is no evidence of analysis of highest and best use.

AB 18-21 On July 30, 2019 to a Certified Residential Appraiser where there is no evidence that adjustments made to the comparable sales are market derived adjustments and there is no evidence of analysis of highest and best use.

AB-18-22 On July 30, 2019 to a Certified Residential Appraiser where the assignment specified Fannie Mae underwriting guidelines. The and appraiser did not verify comparable sales with parties to the transaction or explain the efforts made to verify the sales. The appraiser used MLS and public records which is not considered verification. There is no evidence that adjustments to the comparable sales are supported with market derived data. There is no evidence of analysis of highest and best use. Licensee included a site value in the report and indicated it was based on recent land sales but the work file did not support the claim in the report.

AB-18-24 On July 30, 2019 to a Certified Residential Appraiser where there was a failure to compare similar properties to the subject and make supported adjustments to the comparable sales for differences. The appraiser stated the subject had access to a clubhouse, tennis courts and a swimming pool when it did not. The appraiser also stated the subject was constructed in 2007, was 11 years old and has an effective age of 5 years with no support for this estimate.

***THE ALABAMA REAL ESTATE APPRAISERS BOARD DOES NOT
ACCEPT ANONYMOUS COMPLAINTS***

LICENSE RENEWAL

Annual license renewal **post cards** will be mailed to all licensees the first week in August 2020 for the licensure year, which begins 10-1-20. Blank renewal forms can also be obtained from our website at www.reab.state.al.us after August 1, 2020. All renewals should be submitted online or by mail to reach the Board office no later than September 30, 2020 to keep your license valid and avoid payment of late fees. September 30 postmarks will be honored.

Allow one week for the renewal process if received at the Board by August 30, 2020, two weeks if received between that date and September 16, 2020 and three weeks if received later. Your current license certificate reflects an expiration date of September 30, 2021. You will not receive a new certificate this year.

Continuing education will NOT be due with this license fee renewal.



CALENDAR

The Alabama Real Estate Appraisers Board meets on the third Thursday every other month unless there is a need to reschedule or have special called meetings. If committee meetings are scheduled they will be held on the Wednesday afternoon before the meeting on Thursday. If a disciplinary hearing is scheduled the regular meeting and hearing is typically scheduled on Thursday. Meeting notices are now published in advance on the Secretary of State's website at www.sos.state.al.us/aloma/. Continuing education credits are available for Board meeting attendance. Most meetings and all disciplinary hearings are held at the Board offices in Montgomery. All licensees are urged to attend Board meetings. When you plan to attend a meeting please call the Board office in advance to confirm the particulars of time and location.

2020 TENTATIVE MEETING SCHEDULE

January 16, 2020
March 19, 2020
May 21, 2020
July 16, 2020
September 17, 2020
November 19, 2020

ALABAMA APPRAISERS CAN NOW BEGIN PERFORMING EVALUATIONS

The Alabama Legislature enacted legislation, effective May 29, 2019, allowing state-licensed appraisers to perform **evaluations** of property authorized by federal financial institutions for transactions that do not require an appraisal.

Act 2019-282 states that appraisers ***“shall not be subject to any provision”*** of the state’s appraiser licensing law when performing an **evaluation**. The **evaluation** report must include a disclaimer stating ***“this is not an appraisal”***, and the requirements for an appraiser to comply with the Uniform Standards of Professional Appraisal Practice **DO NOT APPLY**.

Also, **evaluations** may not be used for experience credit by appraisers who intend to upgrade their license. **Effective immediately, appraisers must attach a copy of the engagement letter to their log for each appraisal listed before the log is submitted to the Board.**

Additionally, the Law clarifies that **evaluations** are “governed by federal law and rules of the federal financial institution regulatory agencies, and **NOT THE BOARD.**” Therefore, the Board **will not** accept complaints against appraisers regarding **evaluations** they have completed.

OTHER LEGISLATIVE NEWS

Also, during the 2019 Regular Session of the Alabama Legislature **Act 2019-234** became law on May 22, 2019. This law allows the state, counties, and municipal governments to use the waiver valuation process instead of an appraisal in condemnation proceedings. This applies to properties where an owner is donating the property or if the owner of the property agrees to the waiver valuation and the property is valued at less than \$25,000.

**Alabama Real Estate
Appraisers Board**

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CHANGE OF ADDRESS FORM

In accordance with the Code of Alabama, 1975, §34-27A-16, which requires **IMMEDIATE** written notification to the Board of changes in business and resident addresses, **PLEASE CHANGE MY ADDRESS TO:**

Business: (Preferred Mailing ____)

Home: (Preferred Mailing ____)

Telephone No.: _____

Telephone No.: _____

Signed: _____

License Number: _____

Date: _____

Email: _____

Business Name: _____